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TO RUEHC/SECSTATE WASHDC IMMEDIATE 7204
INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE
RUEHBJ/AMEMBASSY BEIJING 0164
RUEHRL/AMEMBASSY BERLIN 0053
RUEHLO/AMEMBASSY LONDON 8778
RUEHMO/AMEMBASSY MOSCOW 0114
RUEHFR/AMEMBASSY PARIS 0137
RUEAIIA/CIA WASHDC
RHMFISS/JOINT STAFF WASHINGTON DC
RHEHAAA/NSC WASHINGTON DC
RUEKJCS/SECDEF WASHDC
RUEHUNV/USMISSION UNVIE VIENNA 0039
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SUBJECT: BHARAT BALLOT 09: CONGRESS COMEBACK IN WESTERN INDIA

REF: BHARAT BALLOT SERIES

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11. (U) Summary: In the 2009 national election in western India, the Congress Party gained seats in Madhya Pradesh and Maharashtra, along the lines of national trends. The Congress lost only one seat in Gujarat, much less than was expected. The Congress hopes that the momentum in Maharashtra will carry the party through the upcoming state Assembly elections, and make them less reliant on the ally - but sometimes rival - Nationalist Congress Party in the state. Observers believe that Gujarat Chief Minister Narendra Modi's campaigns in western India did little to help the Bharatiya Janata Party's fortunes, confining his impact to his state. Buoyed by the Congress victory, equity markets in Mumbai surged at the prospect of continued economic reforms and policy continuity. End Summary

Maharashtra: Congress Gains, but Thackeray Surprises

12. (U) The Congress Party gained four seats across Maharashtra, sweeping all six Mumbai seats, and won back seats in both rural and urban districts. The BJP lost four seats, and its regional party, the Shiv Sena, lost one. The three independents who won seats are likely to ally with the Congress-led coalition in New Delhi. The Congress gains in rural Vidarbha were seen as recovering seats in rural or tribal areas traditionally held by the Congress, in large part due to farmer debt-relief programs and other aid offered by the United Progress Alliance (UPA) administration.

13. (U) The strongholds of Sharad Pawar and his Nationalist Congress Party (NCP) in the sugar growing regions of western Maharashtra appear to be fading. The NCP won only five out of ten districts in this region, including seats for himself and his daughter. Overall, the NCP lost one seat, down from nine to eight, leaving Pawar and his party in a weak bargaining position for central ministries. He had estimated that the Congress tally nation-wide would be smaller than 2004, and that he and other secular leaders could wring out more concessions from the

Congress, including more important portfolios, which is now unlikely to happen.

14. (U) Several of the Congress gains were credited to the strong showing of Raj Thackeray's three-year-old Maharashtra Navnirman Sena (MNS) party that attracted Marathi-speaking voters and pulled votes from Shiv Sena and BJP candidates. The impressive MNS tally surprised many observers; analysts and Shiv Sena politicians estimated that the MNS would not make an impact in this election because it was riding on the media-hype around Raj Thackeray's controversial anti-North Indian utterances and had no grassroots organization. However, MNS candidates - many of whom were political newcomers -- garnered more than 100,000 votes in each of the 12 districts where it fielded candidates, coming in second in two seats (including the prestigious South Mumbai constituency). The strong showing by the MNS signals trouble for the Shiv Sena in the state Assembly elections in September. The Samajwadi Party contested two seats in Muslim-dominated urban constituencies, but its candidates lost their deposits in both seats, which means that the Muslims decided strategically not to waste their votes on non-Congress parties.

Congress Gains in Madhya Pradesh

15. (U) In Madhya Pradesh, the Congress gained seven seats to hold 12, despite the far better organization of the BJP's political machine in the state. While the BJP still dominates

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in the state with 16 of the 29 seats, its vote share has significantly diminished, as it did in the state Assembly elections in November 2008. Mayawati's BSP picked up one seat along the border with Uttar Pradesh. BJP officials expected losses heading into the elections, but the results were more startling than they had projected. Political observers credited individual candidates for each gain, but rural economic relief programs of the UPA administration no-doubt paid dividends as well. One BJP star in the state, Sushma Swaraj, who ran virtually unopposed when her Congress opponent failed to get on the ballot, was rumored as a potential future leader for the national party. While favored by some because she is not tainted with the history of sectarian violence that hurt L.K. Advani and Modi, she declined to vie for the position, deferring to Advani.

-Gujarat: Modi-Magic on the Wane?

16. (U) Despite Congress's sweep nationwide, the BJP still managed to add one seat to their tally in Gujarat from 2004, several less than expected. Both the BJP and the Congress slightly lost vote share. The results disproved the claim of Gujarat Chief Minister Narendra Modi's supporters that he could get any candidate elected - half of the new faces Modi had nominated lost their bids. Pundits report that Congress benefitted in Gujarat from the nationwide positive feelings towards PM Manmohan Singh, staving off a worse defeat there. Widespread support for Manmohan Singh to continue as PM was noted by Mumbai's Congenoffs even among the pro-BJP business communities in Gujarat.

17. (U) Modi's widely touted rallies and a semi-national campaign appears to have made little dent in the BJP's fortunes. Despite holding public rallies in 20 constituencies in Maharashtra, NDA candidates won in only three of those districts. Observers in Madhya Pradesh also expressed concern that Modi was too autocratic and too Modi-centered, leaving no room for others in the party.

Financial Markets Celebrate

18. (U) Mumbai's newspapers roared "Singh is King," proclaiming the victory of Prime Minister Manmohan Singh. Investors also cheered at the prospect of a stable government, and drove equities markets sharply upwards at the opening bell on Monday, May 18, tripping regulatory "circuit breakers" designed to hamper rapid fluctuations in the market. The Bombay Stock Exchange saw the sharpest one-day rise ever in its history, sky-rocketing 2111 points, 17.3 percent, and the National Stock Exchange rose 17.7 percent, also a record-breaker. The Hindustan Times predicted the soar before markets opened, arguing that the Congress would now be able to provide stable government and push through economic reforms that were previously held hostage by the Left and other UPA allies. Salim Gangadharan from the foreign exchange department at the Reserve Bank of India noted that given the overwhelming victory, the market reaction was no surprise. He expected that markets would continue to rise - as would the rupee, appreciating due to foreign capital inflows.

19. (U) Comment. Despite reports from Madhya Pradesh and Maharashtra that the Congress Party was not well organized, their candidates pulled off significant victories in district-by-district campaigns. The popularity of UPA programs to help farmers and other poor appear to have been key weapons

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for the Congress, judging by the districts where they regained turf.

Investors also cheered the return of PM Singh and the Congress Party, and hopes for policy continuity and more economic reforms are high. For regional leaders like Modi and Pawar, this election has come as a setback, signaling that their popularity has, for the time being, plateaued. We will be watching to see whether the gains made by the MNS can be duplicated or improved upon in the Maharashtra Assembly elections this fall. End Comment.
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